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**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 25 February 1978

CG NIDC 78/046C

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**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

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**Top Secret**

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State Dept. review completed

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National Intelligence Daily Cable for Saturday, 25 February 1978.

The NID Cable is for the purpose of informing senior US officials.

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CHINA: Differences Set Aside

25X1 [ ] Chinese officials have told foreign observers in Peking that the National People's Congress, the parliament that opens tomorrow, will not make any significant changes in the composition of the government. This suggests that the leadership has temporarily set aside its differences at least for the duration of the congress.

25X1 [ ] Although these differences would not be allowed to interfere with the congress, signs that the disagreements persist are evident in the media. Since early January, the media have been attacking unnamed officials whom Vice Premier Teng Hsiao-ping regards as his political opponents. There have also been continuing signs that Teng's vindictiveness has irritated some influential party leaders. The issue of whether to purge party officials, however, did not flare up at the just-concluded Central Committee plenum this week.

25X1 [ ] On the second day of the plenum, the party newspaper published what appeared to be a warning to Teng Hsiao-ping not to hold grudges against those who opposed him in the past. Teng apparently countered a few days later with a scathing attack in the same newspaper on officials who are hiding their past association with the now-discredited leftist leaders and resisting the effort to purge leftist followers. This article was published Wednesday, the day before the plenum ended.

25X1 [ ] The plenum did not alter the composition of the Politburo; this was the first time in many years that a plenum has not made some changes. The entire Politburo appeared yesterday and was listed in the Chinese equivalent of alphabetical order, in an effort to disguise the actual pecking order. Alternate Politburo member Saifudin, who has been attacked in a party document, was also present. [ ]

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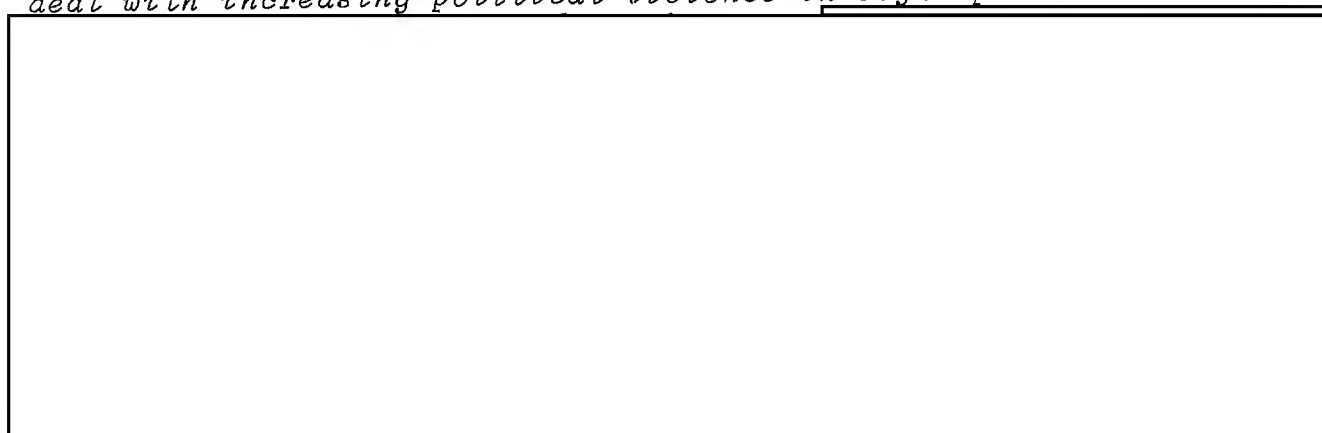
**TURKEY: Marital Law Possible**

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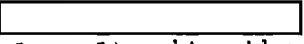
 //The Turkish National Security Council has recommended that Prime Minister Ecevit impose martial law to deal with increasing political violence in eight provinces.

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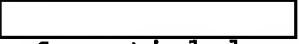
 //Ecevit has been reluctant to employ martial law despite the fact that political measures, such as dismissing officials deemed ineffective in combatting violence, have had little impact. Ecevit's hesitation could stem from a deep-seated distrust of the military and bad memories of generally heavy-handed treatment of the left during the martial law regime in the early 1970s.

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 //Ecevit might also believe that the imposition of martial law would be politically damaging. His opponents and even some allies could see the step as an admission of his government's failure to find a remedy for violence. Ecevit has

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25X1 proclaimed the end of political violence as his number-one domestic goal, however, and will find it difficult to discover an effective alternative to martial law.// [REDACTED]

25X1 SPAIN: Major Cabinet Shuffle

25X1 [REDACTED] *In a major cabinet shuffle, Prime Minister Suarez yesterday sought to resolve bitter differences that have split his government over the past two months. The most notable departure is Deputy Prime Minister and Minister for Economic Affairs Fuentes Quintana--the architect of Spain's current austerity program--who resigned for personal and professional reasons. Although the shuffle involves several "economic" portfolios, it does not seem to signal a basic change in the austerity program, which will continue to follow the guidelines imposed by the all-party Moncloa Pact signed last fall.*

25X1 [REDACTED] The appointment of some of Suarez' most trusted aides to the vacant posts will strengthen the Prime Minister's control, but the loss of Fuentes is likely to weaken the government and make implementation of the crucial austerity measures more difficult.

25X1 [REDACTED] Fuentes submitted his resignation earlier this week as a jurisdictional dispute with Minister of Industry and Energy Oliart dragged on and paralyzed government action. Primarily an academician and a writer, Fuentes had little taste for high office and may have been seeking an excuse to bail out. He had talked for months of going back to research, writing, and teaching, although he seemed--until this week--disposed to see his austerity program through its difficult early months. He has apparently been galled by growing criticism from within the government and from businessmen's organizations and labor. He also seems to have been incensed by suggestions that political considerations may require some modification of his program.

25X1 [REDACTED] The respect accorded to Fuentes by both leftist and rightist economists made him uniquely qualified to push through the implementation of the Moncloa Pact. His resignation is likely to weaken Suarez politically just as the Prime Minister has launched a campaign to revive the faltering popularity of his ruling Union of the Democratic Center.

25X1 [ ] Fuentes has agreed to continue advising the Prime Minister from outside the government, and the ultimate impact of his departure may depend on how close their ties remain and on how many of his talented assistants leave with him.

25X1 [ ] The economics portfolio will go to Suarez' most trusted adviser, Abril Martorell, who has been Deputy Prime Minister for Political Affairs since last July. Abril is not an economic expert, and the real leadership in economics may pass to Fernandez-Ordenez, who remains as Finance Minister. Fernandez-Ordenez, a liberal reformer with close ties to the King, is regarded with deep suspicion by the business community which considers his policies too far to the left--possibly accounting for Suarez' reluctance to name him to the top slot outright.

25X1 [ ] Suarez has taken the opportunity to replace four other ministers long rumored to be on the way out. Rodriguez Sahagun, a personal friend of the Prime Minister and leader of the small and medium business organization--a key sector for Suarez to win over to the Moncloa Pact--will succeed Fuentes' chief rival, Minister of Industry Oliart. Another friend of Suarez', Calvo Ortega, will take over the Labor Ministry where the incumbent, Jimenez de Parga, has had very poor relations with the socialists.

25X1 [ ] The ministers of agriculture and transport, who have simply not measured up to their jobs, will be replaced by party stalwarts Lamo de Espinosa and Sanchez Teran. [ ]

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#### PERU: General Strike on Monday

25X1 [ ] *//An already-divided Peruvian Government is bracing for a leftist-led, two-day general strike beginning on Monday that could prove its most serious confrontation with labor since the walkout that paralyzed Lima last July. The strike may lead to violence and inflame latent worker unrest over the government's tough austerity program.//*

25X1 [ ] The strikers are demanding the reinstatement of some 5,000 workers fired in connection with the July walkout, the release of imprisoned union members, an end to the trials of other workers, and the repatriation of several deported labor activists.



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[REDACTED] There is considerable high-level concern that the strike could lead to bloodshed. The group that called the walkout, the Communist General Confederation of Workers, will be joined by the ultra-leftist United Struggle Command, which Peruvian security officials expect will provoke violence. The apparent determination of some military hard-liners to "crack Communist heads" could further worsen the situation.

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[REDACTED] //The threat of a strike comes when the government is again confident that it will soon receive help in meeting its foreign debt payments for this year. An international banking consortium led by Manufacturers Hanover Trust is said to be willing to provide a \$260 million balance-of-payments loan. The new loan, like the \$105 million standby credit from the International Monetary Fund last November, is likely to be conditional upon Peru's continued commitment to austerity.//

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[REDACTED] //Should the present test of wills between government and labor develop into a struggle over higher prices and renewed wage demands, it could jeopardize these agreements and seriously threaten the return to economic stability.// [REDACTED]

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#### BRIEFS

##### USSR-US

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[REDACTED] Soviet President Brezhnev expressed his continuing concern about the state of US-Soviet relations in a speech to the Presidium of the Supreme Soviet yesterday. He stressed continuing difficulties in SALT, alleged US plans to produce and deploy the neutron warhead, and the lack of movement on improving bilateral trade. Brezhnev blamed the problems at SALT on forces in the US hostile to the USSR and again called for a rapid conclusion of the negotiations on principles of equal security.

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25X1 [ ] Brezhnev also said that bilateral relations have now reached the point where new efforts are necessary to give dynamism to these relations. He cited the recent visit of a Soviet parliamentary delegation to the US and the coming visit of a US Congressional delegation to the USSR as an example of how the US-Soviet dialogue might be improved. [ ]

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Rhodesia

25X1 [ ] Patriotic Front coleaders Joshua Nkomo and Robert Mugabe have been meeting quietly in Maputo, Mozambique, for several days to discuss the unity of the Patriotic Front and the prospects for a Rhodesian settlement. The two leaders need some means to reassert themselves following their inconclusive talks with US and British officials in Malta early this month and the apparent progress toward an internal settlement being made by Rhodesian Prime Minister Smith and black nationalist leaders inside Rhodesia. They are willing to resume talks on the UK-US plan but do not yet have a common negotiating position. At the same time, they would like to find ways to establish effective cooperation between their respective military groups, a problem that has hampered their military effort against the Smith regime since the front was formed more than a year ago. [ ]

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Sudan

25X1 [ ] Candidates representing the Sudanese Socialist Union, the country's only legal political organization, appear to have fared badly in the election held this week for the 304-member National People's Assembly. The political group was created by President Numayri in 1972 to replace the political parties banned after the coup that brought Numayri to power in 1969.

25X1 [ ] Initial reports indicate that politicians with ties to pre-Numayri governments did well and that 15 to 20 people with conservative Islamic views--presumably members of the Ansar sect and the Muslim Brotherhood--were elected to office.

25X1 [ ] The Assembly does not play a key role in the government, and all real power, in fact and in law, remains in Numayri's hands. The new Assembly, however, could well be less a rubber stamp for government decisions than its predecessor and could attempt to exert more influence on policy. [ ]

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